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**Thomas J. Sadowski**  
Director

## **MEMORANDUM**

**TO:** Payroll & Human Resource Officers

**FROM:** Division of Accounting

**DATE:** April 10, 2006

**RE:** Clarification of Deferred Compensation Incentive

The Deferred Compensation Commission recently approved a clarification concerning for treatment of the employer incentive (match) for the 401(a) contributions when an employee has a break in service. It was the intent of the statute to encourage participation in the state deferred compensation program by offering an employer match. RSMo. 105.927 states in part:

*"For purposes of this section, "qualified participant" means an employee of the state of Missouri who is making continuous deferrals of at least twenty-five dollars per month to the deferred compensation program and has been an employee of the state of Missouri for at least twelve consecutive months immediately preceding the commencement of any amount credited pursuant to this section. ..."*

Agencies have applied various interpretations to the phrase "immediately preceding the commencement of any amount" for employees who have previously qualified for the match, and then had a break in service. The Commission has voted to clarify the Deferred Compensation Incentive Plan Document to state:

*"Once an Employee qualifies for the employer contribution, and has a break in service, the Employee will be immediately eligible for the employer contribution upon reemployment, provided the Employee meets all other requirements to receive the funds."*

Effective May 1, 2006, all agencies should immediately enroll their employees that fit this criteria in the state incentive match, including employees who are currently re-serving the twelve month term. This clarification is effective going forward. Agencies should not attempt, nor is it expected, that there be a catch-up for employees that have not received the incentive match based on previous agency interpretation of the statute.